

VZCZCXR01191
PP RUEHMA RUEHPA
DE RUEHUJA #0402/01 0601208
ZNR UUUUU ZZH
P 291208Z FEB 08
FM AMEMBASSY ABUJA
TO RUEHC/SECSTATE WASHDC PRIORITY 2221
INFO RUEHOS/AMCONSUL LAGOS PRIORITY 8842
RUEHZK/ECOWAS COLLECTIVE
RUCPDOC/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RHEBAAA/DEPT OF ENERGY WASHDC

UNCLAS SECTION 01 OF 02 ABUJA 000402

SIPDIS

SENSITIVE
SIPDIS

DEPT ALSO FOR OES/PCI FOR SPECHT
DEPARTMENT PASS TO USTR (AGAMA)
DEPT OF ENERGY FOR CAROLYN GAY

E.O. 12598: N/A

TAGS: [ENRG](#) [ECON](#) [EPET](#) [PGOV](#) [EFIN](#) [SENV](#) [NI](#)
SUBJECT: NIGERIA: AF DAS MOSS' MEETINGS WITH POWER SECTOR
REPRESENTATIVES

REF: STATE 09421

¶1. (SBU) SUMMARY: The Minister of Energy for Power and the Chairman of the Electricity Regulatory Commission told AF DAS Todd Moss that investments in the power sector over the past seven years have not netted adequate and reliable electricity to support economic growth. Reforms for the power sector are in the discussion stage. A new legal framework, coupled with the implementation of a 15 year model tariff, is intended to establish a level playing field, encourage private investment and expertise, and meet social and economic goals -- but needs a lot of work, and there is resistance to tariff rates that would encourage investment without recourse to government subsidies. The Ministry is looking to the USG to introduce it to strategic partners that could advise on commercially viable public-private models to increase generation capacity and separately for advice on how to reform the government operated transmission and distribution system. End summary.

¶2. (SBU) AF DAS Todd Moss, the Ambassador, Econ Counselor, and Econoff (notetaker) met with Minister of Energy for Power Fatima Balaraba Ibrahim, on January 24, 2008. Moss and Econoffs also met earlier in the day with Dr. Ransome Owan, Chairman/CEO of the Nigerian Electricity Regulatory Commission (NERC).

Power Ministry Meeting

¶3. (SBU) DAS Moss asked the Minister her view of the power situation and the government's plans. Minister Ibrahim told DAS Moss that the situation in the power sector is critical, and is the result of decades of neglect. She explained that the government's inability to fund and sustain the sector also translates to the poor state of the economy and inability to implement development activities across the country. She noted that there are problems facing the Nigerian electricity industry, apart from inadequate funding, linked to each of the key sub sectors (generation, transmission, and distribution). Generation is currently insufficient to meet national demand of 10,000 MW and rural electrification remains distant. DAS Moss asked the Minister about the adequacy of the transmission system and was told that the system is very fragile and inflexible in its ability to wheel the planned increased power.

¶4. (SBU) Minister Ibrahim spoke of the \$10B reportedly spent to upgrade the sector's infrastructure from 2000 - 2007. Projects commissioned with this budget include Greenfield plants in the Niger Delta (new GON gas fired power plants) where already-purchased GE turbines are to be installed. The Minister acknowledged that the GE turbines are still sitting in warehouses at the docks. She also

said that GE had visited and committed to support the GON in its efforts to "jump start" the sector, but there was no specific plan as yet. The minister said that further funding to double generation capacity to 6,000 MW would need to come from the excess crude oil account, but cautioned that more money was needed and the GON is looking to the private sector for help in the form of partnerships. She emphasized to DAS Moss that the GON is still in a period of transition. (Note: Ministry contacts have told us that subsequent to this conversation President Yar'Adua rejected a plan for moving forward largely with government funding. The President favors Public-Private Partnerships-details to be defined-for the long-term; he has approved some quick fixes to increase generation capacity by the end of the year. End note).

¶5. (SBU) DAS Moss asked the Minister about the implementation of the tariff that he had been briefed on at an earlier meeting by Dr. Owan, the NERC chairman. The Minister noted that the new 15 year tariff model is ready to implement, but requires consensus. Minister Ibrahim said that the people are against the new tariff, "they want power first, tariff later". To meet this demand, Senators are suggesting a 2008 GON supplemental budget be implemented, together with the tariff, that will neutralize the increase to the residential and small business consumer for the near-term.

¶6. (SBQ) The minister said that the President may declare a state of emergency in the power sector, but not until the legal framework is in place for private partnerships and the tariff issue is resolved. In the short term the President wants to first double the electrical delivery to 6,000 MW and then redouble to 12,000 MW within four years. She further explained that "while in the planning mix, the achievement of 26,000 MW may not be realistic in the near-term" as gas may not be available in large enough supplies to fuel the power plants. She noted that a PPP model GON experts had observed in

ABUJA 00000402 002 OF 002

India encouraged IPP investors and fuel suppliers to work out contracts for delivery arrangements in advance. In Nigeria, this has not been the case. The Minister said she is supportive of "renewable energy projects and would like to move forward with more".

Meeting with Electricity Commission

¶7. (SBU) In the meeting with the NERC Chairman Dr. Owan, AF DAS Moss asked about short-term plans to jump start the electricity sector. Dr. Owan said that the plan would begin with the eleven government-owned power plants, which would include the strengthening of distribution and transmission lines. He said this is the immediate way forward; the IPPs will need time to work with the bankers and lawyers to feel comfortable with the upcoming legislation and the new tariff. He also said related funding would come from the excess crude oil account, and this targeted effort could bring capacity to 10,000 MW. (Note: Again, it is not clear that government will tap the ECA for the short-term fixes). Dr. Owan said that two plants currently in the commissioning process are receiving "bottled" gas to exercise the turbines (790 MW), but gas supply for production is not currently available and will not be until mid 2008 or later

¶8. (SBU) DAS Moss asked Dr. Owan to highlight some of the other work being done. Dr. Owan explained that the system currently has losses of 30 percent due to the absence of state-of-the-art dispatch facilities in the transmission sector and the fragile and overloaded distribution network, and theft. NERC is monitoring 22 transmission projects and 17 new substations that address the evacuation of power from all power stations to the national grid through major corridors. A new system of distribution at a higher voltage level is being adopted.

¶9. (SBU) Dr. Owan continued by addressing the theft issue. The GON has active projects to adopt a slum electrification anti-theft system from a successful program in South America. Dr. Owan said that he is especially thankful to the U.S. for its continuing support, especially from USAID and the U.S. Trade Development

Agency. He confirmed that the power sector has been "studied and there now needs to be implementation and funding," and that Nigeria needs to engage large American firms in that effort.

An Opportunity to Shape the Process

¶10. (SBU) COMMENT: It is clear that the GON does not yet have a comprehensive plan to accelerate production and delivery of electricity. Long-term, the most critical issues center on the availability of gas, secure pipelines to deliver gas when available, and effective transmission and distribution to new customers. Some/some of the short-term fixes announced separately by Presidential Energy Advisor Lukman probably are in fact doable. The Minister will be in Washington the week of March 3 to attend WIREC ¶2008. The Minister is seeking USG assistance in arranging introductions to for-profit and/or not-for-profit (preferable) entities that could advise and assist the GON in bringing its draft PPP model to final, and also advise on transition possibilities for the corrupt, inefficient, and deteriorating parastatal-run transmission and distribution system.

¶11. (SBU) DAS Moss cleared this message.

SANDERS